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May 18, 2012

Mr. Gregory J. Erlandson
Bangs, McCullen Butler, Foye & Simmons
PO Box 2670
Rapid City, SD 57709

Re: Signature Development v. Mid-Continent Casualty Company

Dear Greg:

On Thursday, May 17, 2012, you and Sarah Baron-Huoy met at our office with me and Steve Beardsley. It was our expectation that you would have documents responsive to our discovery requests. The only documents you had were Annual Statements. Your client had not provided you the documents you were expecting. We then agreed that you would provide the additional documents by May 29, 2012, with the understanding that we would still have to file a motion to compel for information, as indicated below:

Second Set of Requests for Production of Documents

- RFP 1: Claims Files – You objected but indicated all claims files had been provided without any documents withheld.
- RFP 2: Underwriting Files – You objected and indicated that the only document that is included in the underwriting file is the application, which you provided.
- RFP 4: Claims Manuals or documents regarding handling claims – You objected and indicated Mid-Continent does not have a “claims manual” but may get training from its parent corporation through Great American University.
- RFP 5: Personnel Files – You objected and indicated you would provide us with a protective order and revisit this request.

- RFP 7: Bonus or Award Programs – You objected but said you will keep looking.
- RFP 8: Goals, Targets, or Objectives – You objected but said you will keep looking.
- RFP 9: Documents showing how employees get Bonuses, Commissions, or Awards – You objected but said you will keep looking.
- RFP 10: Performance Based Incentive Plans – You objected but said you will keep looking.
- RFP 11: Efforts to increase productivity or profitability – You objected but said you will keep looking.
- RFP 12: Efforts to Reduce Loss Ratios – You objected but said you will keep looking.
- RFP 13: Efforts to Reduce Loss Ratios – You objected but said you will keep looking.
- RFP 14: Company Newsletters – You objected and claimed Mid-Continent does not have any newsletters.
- RFP 15: Company Website Map – You identified the website for the public, but are not going to provide the site map for the internal company website.
- RFP 16: Presentations – You objected and claimed there are no copies of presentations or speeches regarding the business of insurance.
- RFP 17: Past Litigation – You objected but said you will keep looking.
- RFP 18: Transcripts and Depositions – You objected but said you will keep looking.
- RFP 21: Claims Severity Experience considered in performance reviews – You contend no such documents exist.
- RFP 21: Defendant's Philosophies on Claims Handling, etc. – You objected and contended no such documents exist.
- RFP 24: Complaints filed against Mid-Continent – You objected to providing any complaints outside South Dakota.

- RFP 25: Emails from Claims Handlers – You objected to providing any documents or emails but said you will keep looking.
- RFP 26: Defendant’s Software and Training – You objected to providing any documents in this regard.
- RFP 27: Privilege Log – You objected and have withheld numerous documents in reference to the Declaratory Judgment lawsuit and the communications of your attorney. It is our understanding you are going to draft a detailed privilege log with regard to each of those communication so that the Court can determine whether they are discoverable or not.

Third Set of Requests for Production of Documents

- RFP 1: *Perry* Claims File – You objected to providing any documents. During our meeting I explained that the *Perry* litigation was another lawsuit with substantially the same claims as *Kerr*, *Klosterman*, and *Carlson*. It is my understanding you are going to reconsider whether or not you provide this claims file.
- RFP 2: *Carlson* Declaratory Judgment File – You objected to providing any documents in this regard, but referenced you provided the claims files from the underlying lawsuits.
- RFP 3: Other “negligent misrepresentation” files – You objected to providing any documents in this regard.
- RFP 4: Privilege Log – You objected to identifying any documents in a privilege log.

If I am mistaken in my understanding of your position on any of these requests, please let me know.

It is clear that you have refused to provide documents and information that has consistently been ordered produced by the District of South Dakota. In fact, the District of South Dakota recently ruled on motions to compel in another bad faith case. *Beyer v. Medico Ins. Group*, No. Civ. 08-5058-KES, Doc. 15 (D.S.D. Mar. 17, 2009) and *Beyer v. Medico Ins. Group*, 266 F.R.D. 333 (D.S.D. Nov. 13, 2009). As I am sure you recall, you were the attorney for Medico Insurance Group in that bad faith lawsuit. During its pendency, the District Court issued several orders compelling the production of the very same documents you are now refusing to provide in this case.

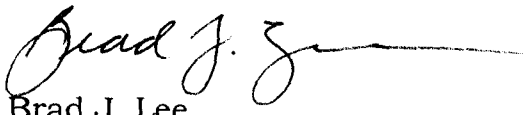
Moreover, since the Court issued its opinions in *Beyer* it has consistently ordered that the information we have requested is discoverable. *See Lyon v.*

Bankers Life and Casualty Company, No. Civ. 09-5070-JLV, 2011 WL 124629 (D.S.D. Jan. 14, 2011) and *Kirschenman v. Auto-Owners Insurance*, No. CIV. 09-4190-KES, 2012 WL 548857 (D.S.D. Feb. 21, 2012). I am enclosing all of these opinions so that you can provide them to your client in the hopes that you will reconsider your objections so that we do not have to go through frivolous motions practice.

I look forward to receiving your final production of documents on May 29, 2012.

Sincerely yours,

BEARDSLEY, JENSEN & VON WALD, Prof. L.L.C.

A handwritten signature in black ink, appearing to read "Brad J. Lee", with a long horizontal flourish extending to the right.

Brad J. Lee

BJL:clh

Encs.

Cc: Clients (w/encs.)